LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6573 **NOTE PREPARED:** Jan 22, 2003
BILL NUMBER: HB 1810 **BILL AMENDED:**

SUBJECT: Emergency Room Physician Services.

FIRST AUTHOR: Rep. Brown C **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State
DEDICATED
X **FEDERAL**

Summary of Legislation: This bill requires that certain physician services provided in a hospital emergency department to a patient enrolled in the Medicaid Risk-based Managed Care program by a physician who does not have a contract with the patient's managed care organization must be paid at 100% of the rates payable under the Medicaid fee structure.

Effective Date: July 1, 2003.

Explanation of State Expenditures: This bill would require the Medicaid managed care organizations (MCOs) to pay 100% of the Medicaid fee-for-service reimbursement rates for all services rendered in an emergency room whether or not those services meet the definition of what a prudent layperson would consider to be an emergency. Non-emergency use of emergency room services is not a Medicaid covered service. Non-covered services can be billed to the MCO recipient, however, it can be difficult to actually collect the payment from a Medicaid recipient. The bill would result in increased costs to the state to the extent that increased risk-based managed care costs would be passed through to the state in the negotiated capitated rates.

Medicaid reports that one of the MCOs currently pays a $15 triage fee to emergency rooms for screening non-emergency MCO-enrolled recipients for contracted providers only. In all other circumstances, the MCOs review emergency claims and deny payment if, according to the medical record, the emergency room encounter did not meet the prudent layperson's standard of an emergency medical condition. This denial of payment includes payment for screening exams and any other services. Payment may also appropriately be denied for other reasons: the individual may not be eligible, the claim may not be billed correctly or on a timely basis, or other administrative reasons.

This bill has two payment issues: first is the payment for the required screening exams. Medicaid reports that screening exams performed on MCO recipients who present themselves at an emergency room with a condition that meets the "prudent layperson standard" of an emergency condition are paid at 100% of the Medicaid fee- for-service reimbursement. The MCO contracts require that out-of-network providers must be paid at 100% of the fee-for-service rate. The MCO's deny payment for all inappropriate use of ER services after a medical record review. Medicaid reports that the bill would require all the MCOs to pay for all screening or triage at 100% of the fee-for-service reimbursement regardless of whether the patient believed there was an emergency condition or not. Financially this requirement would impact the three MCOs differently depending on if the organization is currently paying a triage fee to contracted providers or denying the claims in total. In FY 2002, the MCO's reported 469 denied claims for CPT code 99281 (the code most likely to be referred to as triage for screening exams); these claims resulted in total denied payments of $7,152 for the year.

The second requirement is that the MCOs pay for all physician services provided by out-of-network providers in emergency rooms at 100% of Medicaid fee-for-service reimbursement. Medicaid managed care operates under a federally approved waiver. The rule waived is the recipient's freedom of choice. MCO recipients select or are assigned a primary care provider to give the individual a "medical care home". The primary care provider is then responsible for that recipient's preventative and routine care. Controlling inappropriate use of emergency room services is one of the methods that MCOs use to control costs within the network. Requiring payment for all services rendered in an emergency room encourages recipients to continue to seek care in an inappropriate setting and interferes with the ability of the MCO to control costs. Ideally in the managed care model, patients presenting in an emergency room for routine care should be referred to their primary care physician.

In FY 2002 the MCO's reported 13,006 non-contracted emergency claims denied; total denied payment at 100% Medicaid fee-for-service rates was $576,666. Legislative mandates requiring the participation in Medicaid managed care for certain recipients residing in the state's largest counties will result in estimated increases in denied claims and associated payments of $959,073 in FY 2004 and $996,865 in FY 2005 if the relationship between inappropriate emergency room usage per member per month remains stable.

The denied payments occur within the capitated managed care contracts; the denial of payment does not represent a direct savings to the state since the state pays a capitated amount for each MCO member month. The bill would result in increased costs to the state to the extent that the increased risk-based managed care costs were passed through to the state in the negotiated rates. The Office of Medicaid Policy and Planning has reported that the MCO rates will not be increased in FY 2003. Rate adjustments generally occur in January; any fiscal impact related to this bill would not be anticipated to result in higher capitated rates until 2004.

Medicaid program expenditures are reimbursed at 62% of the total by the federal government; the state share is 38%.

Explanation of State Revenues: See *Explanation of State Expenditures* regarding federal reimbursement in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Amy Kruzan, Legislative Liaison for the Family and Social Services Administration.

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